

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Poochigian Analyst: Kristina E. North Bill Number: SB 1752

Related Bills: See Prior Analysis Telephone: 845-6978 Amended Date: April 10, 2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Teachers Unreimbursed Qualifying Classroom Educational Expenses Deduction

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 23, 2000.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 23, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL), this bill would allow a 100% deduction of up to \$500 for unreimbursed qualifying classroom educational expenses paid or incurred by a qualified teacher.

This analysis will not address the bill's provision regarding school funding as it does not impact the department's programs and operations.

SUMMARY OF AMENDMENTS

The April 10, 2000, amendment requires the Franchise Tax Board (FTB) to report to the Department of Finance the amount of deductions allowed by this bill by July 1 of the year following the filing year.

The March 28, 2000, amendment clarifies that qualifying classroom educational expenses are for purchase of instructional materials that are the property of the qualifying educational institution where they are used by the qualified teacher for teaching any subject legally and commonly taught, as certified by the qualifying educational institution's chief administrator. The qualifying instructional materials cannot be for the personal use of a qualified teacher.

Except for these changes, the new implementation concern and the new technical concerns discussed below, the remainder of the department's analysis of this bill as introduced still applies. The remaining unresolved implementation concern is restated below.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

4/24/00

Implementation Considerations

This department does not currently collect or maintain information on individual deductions claimed by taxpayers. To collect the information necessary to provide the annual report required by this bill, the department would add a line to the 540 and the 540NR tax returns, thereby increasing the complexity of the returns. This bill would set a precedent of increasing the complexity of the tax return solely to permit the capture of information necessary to report on a deduction.

This bill allows a deduction for costs paid or incurred for "instructional materials," but does not define this term. Ambiguity concerning whether the purchase of a particular item is deductible could lead to disputes between the department and taxpayers.

Technical Consideration

This bill requires FTB to report to the Department of Finance July 1 of the year following the filing year (taxable year 2000, filing year 2001, reporting year 2002). This bill requires the report to include deductions claimed "in" taxable years ending in the preceding calendar year, which appears to conflict with when the report is due to the Department of Finance and the author's intent. Additionally, taxpayers claim deductions "for" rather than "in" taxable years. This bill should be amended to include deductions claimed for taxable years preceding the filing year.

Board Position

Pending.